

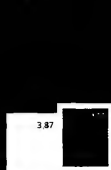
RE-SCAN

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Financial Highlights

Group turnover increased by 46% to £253.9 million and pre-tax profit before goodwill amortisation increased 30% to £12.7 million.

	1998 £m	1997 £m	Change %
Turnover*	253.9	173.4	+ 46
Profit before tax – before goodwill amortisation	12.7	9.7	+ 30
– after goodwill amortisation	12.6	9.7	+ 30
Earnings per share – before goodwill amortisation	11.82p	9.33p	+ 27
– after goodwill amortisation	11.75p	9.33p	+ 26
Dividends per share	4.65p	3.87p	+ 20

Turnover*
£mProfit before tax†
£mEarnings
per share†
penceDividends
per share
pence








* Turnover includes goodwill amortisation

† Before goodwill amortisation



The Group at a Glance

Nestor continues to develop its core activities through organic growth supplemented by acquisitions. In 1998 we expanded our range of activities in the homecare market with the purchases of Carewatch and Country Cousins.

Nestor Healthcare Group plc						
UK Healthcare						
BNA BNA is the largest provider of temporary nurses and care professionals in the UK supplying services to hospitals, Local Authorities, nursing homes, industry and people in their own homes.	Grosvenor Grosvenor Nursing Agency provides specialist mental healthcare support and general nursing services 24 hours a day, mainly to the NHS.	Medic International Medic International provides locum doctors, therapists, medical technicians and other healthcare personnel to organisations throughout the healthcare industry.	Nestor Medical Duty Services Nestor Medical Duty Services specialises in supplying out-of-hours services for GPs including operating primary care surgeries, GP home visits and telephone advice services.	NDA NDA is dedicated to providing doctors on a temporary basis to the Benefits Agency for its medical screening requirements under the outsourcing contract awarded to Sema Group plc.	Carewatch (51% interest) Carewatch Care Services is a franchise operation delivering homecare services to people in their own homes, either directly to the individual or via Local Authorities.	Country Cousins Country Cousins specialises in providing live-in companions for those needing professional and practical support to remain independent in their own home.
Worldwide Healthcare Exchange Worldwide Healthcare Exchange finds suitable and qualified professionals for temporary assignments worldwide.						
						

Proportion of Group turnover

- UK Healthcare: 87%
- USA Healthcare: 13%



Group turnover

	1998 £m	1997 £m
BNA	172.3	122.6
Grosvenor	18.2	1.6*
Medic International	8.3	10.3
Nestor Medical Duty Services	10.1	9.9
NDA	11.2†	—
Carewatch	0.8*	—
USA Healthcare	32.5	29.0
Other	0.5*	—
Group turnover	253.9	173.4

* purchased November 1997

† started September 1998

* purchased July 1998

* includes Country Cousins purchased December 1998

USA Healthcare

Cross Country Staffing
(34% interest)
Cross Country Staffing
is the largest provider
of travel nurses and
rehabilitation profes-
sionals to healthcare
facilities in the USA



We supply healthcare services across
England, Scotland, Northern Ireland
and Wales with over 250 locations
nationwide, an increase during the
year of 85.

BNA branches

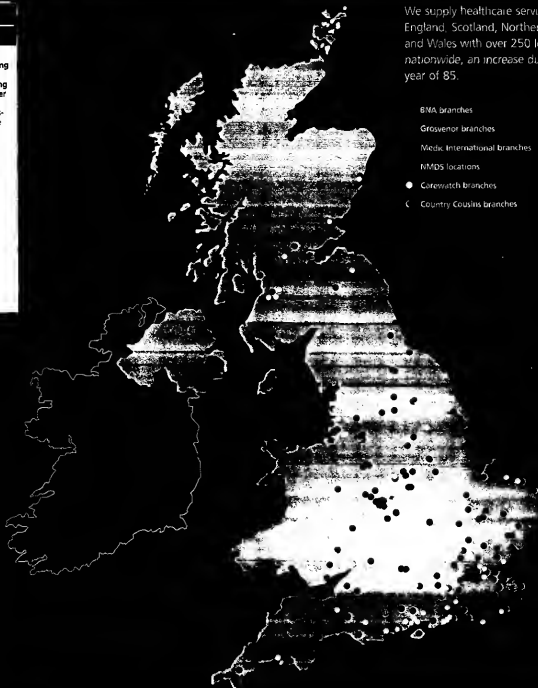
Grosvenor branches

Medic International branches

NMDS locations

● Carewatch branches

○ Country Cousins branches





David Heywood, Chairman

Chairman's Statement

These excellent results reflect the effectiveness of our response to the demands of an expanding healthcare market. Our organic growth and strategic acquisitions mean the Group is well positioned for further success.

Introduction

I am pleased to report that 1998 was another very successful year with excellent results reflecting our continued strategy of focusing on providing services and personnel to the UK Healthcare market, supplementing significant organic growth with acquisitions. In the USA, Cross Country Staffing performed very strongly throughout the year.

Our share price continued to rise during the course of the year and, in December, Nestor was admitted to the FTSE 250.

Summary of results

- Turnover, including our share of Cross Country Staffing, our USA associate, was up 46% to £253.9m (1997: £173.4m).
- Operating profit, including the contribution from the USA associate, increased by 38% to £13.1m (1997: £9.6m).
- Pre-tax profit grew 30% to £12.6m (1997: £9.7m).
- Earnings per share were up by 26% to 11.75p (1997: 9.33p).

Dividends

The Board recommends a final dividend of 2.97p (1997: 2.47p) making a total

dividend for 1998 of 4.65p (1997: 3.87p), an increase of 20%.

Review of results UK Healthcare

1998 was another year of growth in turnover and profits for our UK healthcare businesses.

- Turnover grew by 53% to £221.3m (1997: £144.3m).
- Operating profit grew by 28% to £11.0m (1997: £8.6m).

BNA, the Group's main nursing and care agency, had another year of strong growth with turnover increasing by 41% to £172.3m (1997: £122.6m). We announced in March 1998 that BNA had won two significant contracts at Guy's and St Thomas' and University Hospital Birmingham. During the year BNA continued to win more contracts, both with the NHS Trusts and with Local Authorities. It also retained almost all of the contracts that came up for renewal during the year. Margins were down in BNA reflecting one-off costs incurred in implementing the Working Time Regulations and in rolling out new IT systems.

Grosvenor, the nursing agency acquired in November 1997, based in London and specialising in the provision of mental health nurses, has proved a successful acquisition and has made a significant contribution to Group profits. Its turnover for 1998 was £18.2m (1997 full year: £15.6m).

Nestor Medical Duty Services, which provides out-of-hours services to GPs, slightly increased turnover in 1998 to £10.1m (1997: £9.9m) and improved its operating profit margins. The business was further enhanced by having assumed sole responsibility for the West Midlands GP out-of-hours service, formerly operated with a competitor, increasing the number of our GP clients in the area by over 200. Operating profits improved in 1998, confirming our cautious optimism following the significant changes in the market for GPs out-of-hours services over the last three years.

Medic International, our agency specialising in locum doctors and professions allied to medicine had a disappointing year. This was in part due to the fall in demand for locum doctors in the NHS. Medic's turnover in 1998 was £8.3m (1997: £10.2m). However, a new management

team has made significant progress in restructuring the business to focus on areas of growth and prospects for Medic are now more encouraging.

Nestor Disability Analysis (NDA) was formed in April to serve the contract to supply, through Sema, the medical personnel for the Benefits Agency Medical Services. I am pleased to report that the contract was streamed on time starting 1st September. In the first four months NDA's turnover was £11.2m and a small operating loss was incurred after taking account of start-up costs. We look forward to a profitable year for the business in 1999.

USA Healthcare

Cross Country Staffing, the largest travel nursing business in the USA and in which the Group owns a 34% stake, had another good year. Its contribution to Group turnover increased by 12% to £32.5m (\$53.9m) compared to its contribution in 1997 of £29.0m (\$47.5m).

Its contribution to profit before tax in 1998 was £3.8m (\$6.2m) versus the contribution in 1997 of £2.5m (\$4.1m). This reflects the 40% increase in our share of operating profit to £3.9m (\$6.5m) and a reduced interest charge.

Acquisitions

In line with stated strategy, the Group has acquired a number of businesses during 1998. These comprise "bolt-on" acquisitions which enhance our existing core activities, and businesses which further increase our presence in the key UK Healthcare market.

Acquisitions which have been merged into our existing business include:

- ACE, a homecare business operating in the Hertfordshire area, purchased in April for £0.5m cash,
- Nightingales, a homecare business operating in the Southern Home Counties, acquired in September for £0.5m cash.

Other acquisitions comprise:

- 51% of Carewatch Care Services Limited, a franchise homecare business operating throughout the UK from over 50 branches, acquired in July for £0.3m, including debt. An option to purchase the remaining 49% at a price of five times operating profit is exercisable in 2001 or 2002;
- Country Cousins, the oldest-established live-in homecare business in the UK, purchased in December for £1.6m cash based on an operating profit of £241,000 for the twelve months ended 30 April 1998.

Financing

The Group ended the year with shareholders' funds of £14.9m (1997: £9.1m) and net borrowings of £10.1m (1997: £4.0m), comprising net overdrafts less cash of £8.6m and loan notes of £1.5m. The increased level of borrowings arose partly from cash paid for acquisitions and partly from increased working capital requirements.

Staff

1998 was a challenging and exciting year for all our staff. On behalf of the Board, I would like to thank them for their dedication and hard work which has driven the growth and success of the business.

Outlook

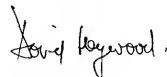
In the UK, BNA and Grosvenor continue to maintain strong trading performances into 1999 with further contract gains while other divisions and the newly acquired businesses are performing well and in line with expectations.

We continue to expect strong organic growth principally from our agency businesses. This growth will be supplemented by further acquisitions in the UK, not only to strengthen our position in the homecare market, but also to broaden our activities in other areas of healthcare as the opportunities arise. Operating margins overall are expected to improve in 1999.

In the USA, the performance of Cross Country Staffing remains strong in continuing favourable market conditions.

Our strategy is to continue to concentrate on the provision of staff and services to the UK healthcare market. The Group continues to keep under review its strategic options in relation to Cross Country Staffing.

Overall, prospects for the Group remain very encouraging.



David Heywood
Chairman



Justin Jewitt, Chief Executive

Operating Review

1998 was another outstanding year for the Group with continued organic growth supplemented by strategic acquisitions in the healthcare market.

UK Healthcare BNA

BNA, the Group's core nursing agency business, enjoyed yet another year of impressive organic growth, with turnover up 41% to £172.3m. In the last five years turnover has increased by three times.

During the year, demand for nurses and carers exceeded supply in almost every sector of BNA's business. BNA is uniquely positioned to respond to this challenge and has concentrated hard over recent years on increasing the size of its available pool. BNA's strategy of offering a wide range of work opportunities and flexible hours, together with the strength of the local branch network, has enabled it to increase its register by more than 14,000 recruits at a time when the number of qualified nurses continues to decline. The business is also contributing to increasing supply through training programmes and by encouraging nurses back to work after a career break. By the year-end, the company could draw on the resources of over 92,000 nurses and carers to service the needs of its clients.

BNA has also secured the supply of overseas nurses through Worldwide Healthcare Exchange, which specialises

in the sourcing of overseas healthcare professionals from other English speaking countries and from Northern Europe. It has a register in excess of 5,000 and in 1998 placed more than 1,500 nurses and carers in over 30 NHS Trusts.

The demand for BNA's nurses and carers continues to grow, with the strongest growth in the nursing home sector and in the NHS. Growing supply shortages have encouraged the company's NHS Trust clients to turn increasingly to BNA to provide a flexible staffing solution, allowing them effectively to manage their resourcing issues through periods of peak demand without incurring the costs of increasing their full-time workforce. Local Authorities are also using BNA's services to complement and sometimes replace their existing network of carers in the home care sector.

A number of significant contracts with major NHS Trusts were won during the year. The most notable of these was with Guy's and St Thomas' in March 1998, where BNA was chosen to manage all of that client's temporary staffing needs and with University Hospital, Birmingham. Together, these contribute an estimated £13m of additional turnover per annum.

Further major contracts were gained with other NHS Trusts and Local Authorities with the result that the business delivers over 40% of its total hours of care through contracts, typically of three years' duration, which provides a great deal of stability of demand.

To accommodate this growth in contracted business and to increase market penetration in new locations, BNA added a further 15 branches to its network, bringing the total to 159. In addition, it has now rolled out a fully integrated computerised operating system which will help all branches to maximise operational efficiency whilst meeting its clients' increasingly sophisticated invoicing demands. The system was developed in-house to address the specific needs of the business and will support its growth for at least the next five years.

BNA's strong organic growth has been complemented by the development of a number of new business activities, all drawing on the company's database of nurses and carers. Over 30 nursing professionals now provide expert advice to solicitors and their clients in assessing the needs of personal injury victims, through BNA Care Assessment Services.

"Temporary nurses provide support to permanent staff. BNA has worked in partnership with us here at Guy's & St Thomas' to develop a new temporary nurse staffing solution which, when recruiting nurses is particularly effective."

Wilma MacPherson, Director of Quality & Nursing, Guy's & St. Thomas' Hospital Trust, London



BNA's appointment in 1998 as on-site manager of all temporary healthcare staffing needs for Guy's and St Thomas' – one of the UK's largest and most prestigious NHS Trusts – represents a new strategic partnership. In the face of falling nurse registrations, nurse-friendly BNA programmes have already effected better utilisation of existing temporary staff.

As local demand for healthcare increases, growth of the nurse database remains a priority. BNA has worked with the Trust to implement joint Open Days and advertising campaigns based on its considerable recruitment expertise. Together they are developing a Return to Nursing programme to target nurses of all ages.

In addition, with more than 700,000 shift hours to fill each year, BNA has supported the Trust by supplying its own agency nurses as well as specialists in mental health from its sister company, Grosvenor Nursing Agency

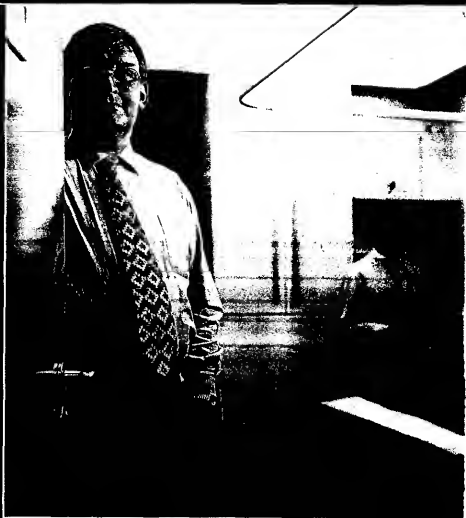
"Outsourcing to NMDS for comprehensive services to cover means better services for our primary care patients and it gives us an added advantage in recruiting and retaining GPs and access to the private sector business expertise."

Dr Colin Browne, Senior Partner, Neptune Health Park, West Midlands

NMDS is playing a crucial role in supporting and developing innovative ways forward in the delivery of local healthcare. By pooling resources from the Nestor group, it is able to provide out-of-hours primary care services using teams of doctors and fully qualified nurses.

As a result, patients have improved access to broad medical care beyond the restrictions of normal surgery hours.

With perhaps as many as five million patients benefiting from this service, in the evenings and at weekends, NMDS is helping to reduce the day-to-day pressures on resident GPs, nurses and patients alike.





Flexible staffing

Our continued response to clients' staffing needs resulted in the Group providing 19.1 million hours of support to the UK healthcare market in 1998 (1997: 13.9 million hours).

Number of hours of care (millions)



Operating Review continued

Furthermore, a number of services in the occupational health and disease management field have been successfully piloted, using BNA's nurse database. These businesses have all been identified as potential sources of future growth.

BNA will enter the new millennium as the clear market leader in flexible nurse staffing with a branch network spread right across the United Kingdom. It is well positioned to take advantage of the rapid growth expected in all of the sectors in which it operates as the population in the UK continues to age and demands for flexible staffing increase.

Grosvenor

Grosvenor Nursing Agency, which was acquired by the Group in November 1997, has enjoyed a very encouraging first full year in the Group, with turnover up 17% to £18.2m in 1998.

Grosvenor operates in the Greater London area and specialises in the provision of mental health nurses to the NHS clients across the capital.

During the year, robust organic growth fuelled by increasing demand for specialist nurses was complemented by the gain of

two further major contracts in London and the development of the business into the Midlands and the North. This expansion resulted in the opening of two new branches.

Grosvenor's management has identified and is developing a number of complementary services, such as forensic care as potential areas for further future growth. It is also providing services to prisons and secure units, utilising its register of highly trained specialist nurses.

Future prospects for Grosvenor are very favourable, as demand for specialist nurses will continue to exceed the available supply.

Medic International

1998 was a year of change and restructuring for Medic, the Group's business specialising in locum doctors and other healthcare professionals. Its overall turnover declined by 19% to £8.3m, due in part to the static level of demand for locum doctors.

A new management team has responded quickly to these changes by restructuring the business into four divisions, in order to focus on potential areas of growth.

The cost base was reduced by closing four branches and Medic now operates out of just four locations, including its central resource centre in Hatfield.

Each of the new divisions has begun to produce results, with those specialising in the placement of physiotherapists and medical technicians showing particular progress. In these areas, where demand far outstripped supply, Medic has grown its register by 1,200 to 18,000 at the end of the year.

The division specialising in the placement of locum doctors won a contract to supply doctors to the Luton and Dunstable hospital in October, confirming its reputation as a quality provider of flexible medical staffing to the NHS. Management has also worked hard to develop the business into new areas, working with BNA to tender successfully for the Group's first contract for the provision of occupational health services.

The restructuring and reduced cost base will enable Medic to contribute positively to the Group's success in 1999.



Increased resources

We have successfully increased our pool of healthcare workers across the Group to a total of 128,000 in 1998 (1997: 99,000) despite falling registrations nationally.

Number of Nestor healthcare workers



Operating Review continued

Nestor Medical Duty Services

NMDS, the Group's GP out-of-hours duty services division, saw its turnover grow by 2% against last year, during a period of considerable change in the market in which the business operates.

NMDS completed its transition in 1998 from a business providing mainly GP home visits to a comprehensive out-of-hours service for GPs.

It now provides advice calls to over five million patients through its four fully computerised call centres and runs out-of-hours consultations through 25 primary care surgeries in Liverpool, Manchester, Stoke and the West Midlands, as well as providing traditional GP home visits.

At the end of the year, over 2,200 GP clients used NMDS to provide their patients with an effective and responsive service during evenings and over the weekend. In this way, the business cares for almost 10% of the UK's population.

Key developments during the year included the roll-out of a fully computerised telephone call handling system at each call-centre. This enables GPs and trained nurses to provide expert medical assessment and

advice over the telephone and, where necessary, to refer patients to the nearest primary care surgery or to arrange for a GP home visit.

In September, NMDS successfully met the challenge of integrating the GP out-of-hours service in the West Midlands previously run jointly with a competitor.

The company has also been successful in developing into related business areas. For example, every call centre now offers medical screenings, conducted by medical practitioners, for insurance or occupational health purposes and continues to offer post-graduate education courses for doctors from the Liverpool and Birmingham primary care surgeries.

Crucially, NMDS has been strengthening its relationship with Health Authorities by helping them to deal with recent pressures experienced by them during the winter 'flu epidemic. This has added to the growing list of GP co-operatives that are using the company for some of their services.

The out-of-hours services market has now stabilised following changes to the structure of this market led by Government initiatives over the last three years.

NMDS can now look forward to consolidating relationships with GPs as healthcare in the UK shifts towards primary care.

Carewatch

In July 1998, the Group strengthened its presence in the rapidly expanding homecare market with the acquisition of a 51% interest in Carewatch Care Services Limited, which operates nationwide through a network of closely controlled franchises.

Since acquisition, Carewatch has increased the number of its franchise branches from 44 to 55 and now provides over 28,000 hours of care per week, mainly to Local Authority clients. Group management has reinforced the existing central training, financial and area management resource to enable the network to grow at an accelerated rate.

The Group regards this as a strategic move designed to strengthen its relationship with Local Authorities and expand its homecare business at a rate that would not be achievable by organic growth alone.

"The carers are so nice and I'm so happy. It's much better quicker if you can sleep in your own bed. It means I have a more normal life. It's got a little bit of independence is so important as you get older."

Mrs Rachel Halsey, Carewatch client, London



Two new Nestor companies, Carewatch and Country Cousins, are successfully bridging the UK gap between health and social care, helping more and more "over sixties" stay in their own homes for longer.

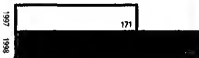
While Carewatch might achieve this goal by helping a client get up, washed and dressed in the morning, Country Cousins provides live-in companions for people who cannot or prefer not to live alone. Each service complements BNA's traditional healthcare services, so that Nestor is able to help people from all backgrounds and with differing needs.

Whatever the individual's circumstances, quality of care is of paramount importance and depends both on sufficient carer numbers and high quality training. To meet these requirements Nestor Training Services delivers intensive training for new and experienced care assistants to nationally agreed standards at local centres throughout the UK.



National network expansion
Our network of company locations expanded significantly during the year to a total of 256 (1997: 171) providing additional support for local individuals, communities and organisations.

Number of locations



Operating Review continued

Country Cousins

Acquired in December 1998, Country Cousins is the leading name in the niche homecare market for live-in companions. Since its foundation in 1959, the business has supplied residential carers, mainly to elderly people in need of extra non-medical support, on a private basis.

The business now operates nation-wide, from three branches in Horsham, York and Plymouth and delivered over 100,000 days of care in 1998.

The Group has retained Country Cousins' existing operational management and intends to develop the business further by expanding the member register, which currently stands at over 800 companions and by using BNA's branch network to help generate additional demand without increasing the cost base.

Country Cousins' encouraging performance has continued into the current year and the Group is confident of its future growth prospects.

Nestor Disability Analysis

In February 1998, the Group was awarded a sub-contract by Sema Group to provide temporary personnel for use in the

Benefits Agency Medical Service. The Group's role, delivered through Nestor Disability Analysis, is to provide suitably qualified doctors for domiciliary visits and sessions in any one of the 212 Benefit Agency locations in the UK. The total expected volumes of domiciliary visits and sessions will exceed 600,000 per annum and the contract is awarded for a period of five to seven years.

Between February and September, when the contract went "live", NDA created the single central office required for the services, created computer systems, and recruited the personnel needed to meet the service levels expected for the contract.

All start up costs were fully expensed during the year; only the hardware and software development costs of the computer system have been capitalised.

By the year-end, £11.2m of turnover was recorded for the four months that the contract was live.

The volume of business has continued in line with expectations.

USA Healthcare

Cross Country Staffing

1998 has been another successful year for Cross Country Staffing, the travel nurse business in which the Group has a 34% interest. Profits contributed by the associate have increased by 40% to £3.9m (\$6.5m) compared to 1997's profit contribution of £2.8m (\$4.6m).

The growth has been achieved by an increase in the number of travellers, firmer pricing and increased margins reflecting the improved operational efficiency of the business.

There was also a reduction in the interest charge of the associate of £0.2m (\$0.3m) due to strong cash generation during the year, thus reducing borrowings within Cross Country Staffing.

Prospects for the business remain encouraging for the foreseeable future.

Justin Jewitt
Chief Executive



David Lyon, Finance Director

Financial Review

Profit before tax is up by 30% on last year's figures. Earnings per share also increased significantly in 1998, rising by 26%.

Turnover

Turnover, including the Group's share of Cross Country Staffing, its USA associate, increased by 46% to £253.9m (1997: £173.4m). This comprises turnover from UK Healthcare activities which increased by 53% to £221.3m (1997: £144.3m) and the Group's share of Cross Country Staffing's turnover which grew by 12% to £32.5m (1997: £29.0m).

In the UK, the main contributing factors to the increase were in BNA (arising in part from the streaming of new contracts) and first time full year contributions from Grosvenor of £18.2m (1997: £1.6m) and Nestor Disability Analysis, servicing the Benefits Agency contract, of £11.2m.

Operating profit and margins

Operating profit, including the contribution from the USA associate, increased by 38% to £13.1m. This is after deducting £0.1m for the amortisation of goodwill on acquisitions made during 1998.

UK Healthcare operating profit grew by 28% to £11.0m (1997: £8.6m) and the resulting operating profit margin was 5.0% (1997: 6.0%).

This reduction arises partly from the lower operating margin in BNA due to costs incurred in implementing the systems required to accommodate the Working Time Regulations, and in rolling out new IT systems, including ensuring millennium compliance.

It also reflects the cost of initial set up for servicing the Benefits Agency contract and expenditure incurred in Carewatch as the business builds its network of franchises and related infrastructure.

The Group's share of the operating profit of Cross Country Staffing amounted to £3.9m (1997: £2.8m), an increase of 40%. This increase stems partly from increased activity and from improved operating margins.

Central costs for the Group amounted to £1.8m (1997: £1.9m). The reduction reflects the one-off costs incurred in 1997 in respect of compensation for loss of office of a former director but is partly offset by business development costs initiated in 1998.

Profit before tax

Pre-tax profit for the Group amounted

to £12.6m (1997: £9.7m), an increase of 30% after deducting a net interest charge of £0.5m (1997: £0.2m net income).

The increased interest charge arises from the higher average borrowings for the year, reflecting cash paid for acquisitions and higher working capital, offset partly by the reduced interest charge in the USA associate.

Taxation charge

The taxation charge for 1998 amounted to £3.6m (1997: £2.6m). The increased average rate of 28.6% compared to 26.5% for last year reflects a higher tax charge incurred in the USA as tax losses brought forward were used up during the course of the year.

Earnings per share

Earnings per share in 1998 were up 26% to 11.75p (1997: 9.33p).

Excluding the effects of the goodwill amortisation the adjusted earnings per share were 11.82p, an increase on 1997 of 27%.

Financial Review continued

The lower percentage increase in earnings per share compared to the increase in pre-tax profit is mainly attributable to the higher average tax charge.

It also reflects a small dilution of 0.14p arising from the increase in the average number of shares in issue following the exercise of share options

Cash flow

Net borrowings during the year increased by £6.1m from £4.0m to £10.1m.

Cash flow from operating activities amounted to £4.9m (1997: £2.5m). This substantial increase reflects the higher operating profit in the year and a comparable increase in working capital. The relative increase in debtors was in line with turnover.

Dividends received from the USA associate amounted to £1.8m (1997: £0.2m) but £0.9m (1997: £0.2m) of this was used to pay the Group's US tax liabilities.

Net interest in the UK and tax paid totalled £3.7m (1997: £2.0m) and capital expenditure amounted to £3.0m (1997:

£1.9m). This consisted primarily of the continued investment in the Group's core IT systems.

Net expenditure on acquisitions and disposals in 1998 was £3.2m (1997: £1.1m income) net of loan note redemptions of £0.3m (1997: £1.7m). Equity dividends paid in the year were £3.2m (1997: £2.7m) comprising payment of the 1997 final dividend and the 1998 interim dividend.

Share issues following exercise of options totalled £0.3m (1997: £0.7m).

Shareholders' funds

Shareholders' funds at the end of the year were £14.9m (1997: £9.1m).

This increase reflects the retained profit of £5.5m.

In accordance with FRS 10, goodwill acquired in 1998 amounting to £3.8m was capitalised and not, as in previous years, written off against reserves. Consequently, there is no effect of goodwill on shareholders' funds in 1998 other than the amortisation charge flowing through the profit and loss account.

Group performance in second half In the 28 weeks to 31st December 1998, turnover grew by 48% to £150.5m (1997: £101.7m) and pre-tax profit grew by 18% to £7.1m (1997: £6.0m).

The lower margins recorded in the second period are largely attributable to one-off costs incurred in implementing the Working Time Regulations, rolling-out new IT systems and in setting up the Benefits Agency contract.

Foreign currency and treasury management

The trading results of the Group's investment in its USA associate are translated into sterling using average exchange rates. Its net assets are translated at year-end rates. Foreign exchange differences are accounted for through reserves.

The Group's policy is to hedge its foreign exchange exposure in part with foreign currency loans.

The average USA dollar exchange rate during the year was \$1.66 (1997: \$1.64). The rate of exchange at the year-end was \$1.66 (1997: \$1.64). Exchange rate movements did not significantly

Turnover (UK Healthcare) £m	Operating profit (UK Healthcare) £m	Group cashflow from operating activities £m
144.3	6.73	2.5

affect the profits of the Group in either 1998 or 1997.

Year 2000

Many computer systems and other equipment containing micro-chips and date-sensitive information use only the last two digits to record the year. Consequently, there is a risk that these systems may not recognise the Year 2000 resulting in a failure to operate properly.

The Board is responsible for ensuring that the Group is properly prepared for the Year 2000 and has monitored the progress of the replacement and correction of systems since October 1997. Since October 1998 the Board has reviewed monthly reports from all divisions on the progress made.

The testing, replacement and fixing of non-compliant systems across the Group is almost complete, in line with a target for compliance of 30th June 1999.

In addition the Group has been in communication with all its key business partners and has been developing contingency plans.

Whilst the Group has incurred expenditure both of a revenue and capital nature in upgrading and replacing some of its systems during the year, it is not possible to distinguish the proportion required solely for the purpose of ensuring millennium compliance.



David Lyon
Finance Director

The UK Healthcare Market

An ageing population, rising demand for services and fully extended resources characterise the UK healthcare market, worth an estimated £60 billion.



The Group's in-house research team, Pegasus, provides market data and analysis to support strategic decisions.

UK healthcare expenditure

The UK healthcare market shows clear signs of continued growth. Total expenditure in 1998/1999 is expected to reach £60 billion.

Ageing population

The gap between demand for healthcare and available resources continues to widen. Estimates show that by 2020, 25% of the UK population will be over 60 with almost three million of them over 80 years old.

New nurse registrations

Initial registrations of nurses in the UK have dropped by 26% since 1990. In the past two years, doctor registrations have fallen by 8%. Plus, with one in five UK registered nurses aged 50 or more, retirement will further reduce the number of experienced practitioners.

NHS gross expenditure

Planned gross expenditure for the NHS in 1998/1999 is expected to reach £50 billion, a significant increase on previous years.

Primary care-led NHS

The continued drive towards a primary care-led NHS means more groups of local GPs and community nurses will form Primary Care Groups and Trusts. These will have a pivotal role in the planning and delivery of healthcare for their local populations and may facilitate the development of 'seamless' care

Social services and homecare

While total UK funding for social services will rise to an estimated £10 billion in 1998/1999, incentives favouring residential care over care in the home have been withdrawn, in line with Government's focus on independence for the individual. At the same time, Local Authorities have an obligation to provide high quality services at the best price. Consequently, the proportion of Local Authority care provided within the home is expected to increase substantially, along with the proportion of care purchased from the private sector

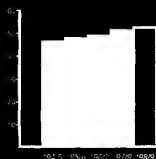
Nursing homes

Consolidation in the nursing home sector is set to continue. More than half of Britain's nursing homes are turning to agency services for help with recruitment issues.

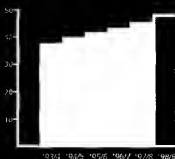
Private hospitals expenditure

Spend on private hospital services in the UK (including NHS private treatment) was in the region of £2 billion in 1997. Future revenue increases in the sector are likely as the UK market for private medical insurance also continues to grow

UK Healthcare expenditure*
(£bn)



NHS gross expenditure in England
(£bn)



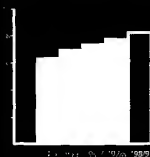
New nurse registrations with the UKCC
(thousands)



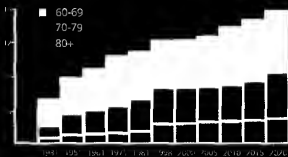
New full registrations of doctors
(thousands)



Social Services Budgets in England
(£bn)



The ageing UK population
(millions)



* Excluding additional discretionary Government spend, which in 1988/9 is expected to be in the region of £7 bn.

Board of Directors and Advisors

Non-executive Chairman

David Heywood*

(63) was appointed as non-executive Chairman in 1994, becoming part-time executive Chairman during the period July 1996 to January 1999. He is Chairman of QS Holdings plc and Remploy Ltd and a former executive director and deputy Chairman of British-American Tobacco Co Ltd. Formerly, he was a non-executive director of Rentokil Initial plc. He is also Chairman of the Board's Remuneration and Nomination Committees and is a member of its Audit Committee.

Executive directors

Justin Jewitt

(44) is the Group's Chief Executive. He joined the Group in May 1994 as Managing Director of BNA and was appointed to the Board in July 1996, becoming Chief Executive in December 1997. He was previously Managing Director of two of BET's business services companies prior to which he worked for Thorn EMI and Mobil Oil.

David Lyon

(37) was appointed to the Board as Finance Director in January 1998. A chartered accountant, he joined the Company as Group Financial Controller in 1991 prior to which he held positions with Ernst & Whinney, Price Waterhouse and Whitbread plc.

Non-executive directors

Dr Charles Goodson-Wickes*

(53) joined the Board in February 1993. He is a qualified physician and barrister and served as a Member of Parliament for ten years. During this time he served successively as Parliamentary Private Secretary in the Department of the Environment, The Treasury, and The Department of Transport. He currently holds a number of appointments in industry. He serves on the Board's Audit, Remuneration and Nomination Committees.

Francis Howard*

(63) joined the Board in June 1987. He is a former finance director of Charter Consolidated plc and is non-executive Chairman of Consolidated Communications Management Limited. He is Chairman of the Board's Audit Committee and a member of its Remuneration and Nomination Committees. He was appointed the Company's senior non-executive director in April 1998.

Robert Nicholls, csc*

(59) joined the Board in September 1997. He is an independent healthcare management consultant and former senior manager with the NHS. His current roles include associate consultant on health management for the British Council and lay member of the General Medical Council. He is an Associate Fellow of Templeton College, Oxford. He serves on the Board's Audit, Nomination and Remuneration Committees.

* Denotes independent non-executive director

Secretary

Emma Thomas

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1992981

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Solicitors

Freshfields
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London EC4Y 1HS

USA attorneys

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London W1A 2PP

Registrars

Computershare Services PLC
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Redcliffe Way
Bristol BS99 7NH

Directors' Report

The directors are pleased to present their report and the audited financial statements for the year ended 31st December 1998.

Principal activities, results and future developments

Nestor Healthcare Group plc is the holding company of a group of companies in the healthcare sector. Its principal activities are:

- the provision of nurses and carers and healthcare services through the largest nursing agency network in the United Kingdom;
- the provision of doctors' duty services in the North West of England and the West Midlands;
- the provision of locum doctors and other healthcare personnel;
- the provision of doctors to service the Benefits Agency Medical Services;
- the provision of homecare services through a network of franchise branches across the UK;
- the provision of short-term resident carers; and
- investment in a partnership providing travel nursing services throughout the United States of America.

The Chairman's Statement, Operating and Financial Reviews on pages 4 to 15 provide a report on the Group's activities, trading results and future developments.

Results and dividends

The profit attributable to shareholders was £9,077,000 (1997: £7,138,000). An interim dividend of 1.68 pence per ordinary share was paid to shareholders on 23rd October 1998. The directors now recommend a final dividend of 2.97 pence per ordinary share, to be paid to shareholders on 28th May 1999. Following payment of all dividends for the year, totalling 4.65 pence, an amount of £5,479,000 will be transferred to the Company's reserves.

Directors

The directors who served during the year were D G Heywood, J A S Jewitt, D O Lyon, C Goodson-Wickes, F J A Howard and R M Nicholls.

D O Lyon was appointed to the Board on 1st January 1998.

In accordance with the Articles of Association, C Goodson-Wickes and J A S Jewitt will retire by rotation at the Company's Annual General Meeting and, being eligible, will offer themselves for re-election.

J A S Jewitt has a service agreement with the Company which is subject to twelve months' notice of termination (except in the case of termination by the Company after a takeover where two years' notice of termination is required).

C Goodson-Wickes holds office by virtue of a letter of appointment, the term of which has now expired. His appointment is therefore not subject to any notice of termination.

Directors' interests

All directors' interests, including details of shareholdings, are set out in the Remuneration Report of the Board on pages 22 to 24.

Substantial shareholdings

At 31st March 1999 the Company has been notified of the following material interests of 3% or more and non-material interests of 10% or more in its ordinary share capital:

	Number	Percentage of issued share capital
Schroder Investment Management Limited	9,072,499	11.7%
Prudential Corporation Group, including clients' managed funds	6,999,668	9.0%
Standard Life Group	4,958,808	6.4%
Hill Samuel Asset Management Limited	3,764,193	4.9%
Fidelity International Limited	3,438,486	4.4%
Gartmore Investment Management Limited	3,287,480	4.2%
3i plc	2,884,508	3.7%

Directors' Report continued

Share capital

Details of the authorised and issued share capital of the Company during the year ended 31st December 1998 are given at Note 21 to the financial statements

Annual General Meeting – special business

The Annual General Meeting of the Company will take place at The Brewery, Chiswell Street, London EC1Y 4SD on Thursday, 20th May 1999 at 12.00 noon. The notice of the Annual General Meeting may be found on pages 55 and 56. In addition to the routine business of the meeting, the following special business will be transacted:

- **Directors' authority to issue shares (Resolution 6)**
The Companies Act 1985 ("the Act"), prevents directors from allotting unissued securities without the authority of shareholders. In certain circumstances this could be unduly restrictive. The proposed resolution will give the directors a general authority to issue shares of the Company for cash, within certain constraints, without complying with the statutory pre-emption procedures. The total number of relevant shares which the directors will have the authority to allot will be 18,535,718 ordinary shares of 10p each (representing 23.9% of the share capital currently in issue). Apart from the issue of shares on the exercise of share options, the directors have no present intention to exercise this authority. The authority in Resolution 6 will expire at the conclusion of the next Annual General Meeting or on 20th August 2000, whichever is the earlier.
- **Restricted disapplication of pre-emption rights (Resolution 7)**
The proposed special resolution will give the directors a limited authority to issue equity shares for cash other than to existing shareholders in proportion to their existing shareholdings notwithstanding the pre-emption provisions of Section 89 of the Act. This limited authority would allow the directors to make such issues provided they do not exceed in aggregate an amount equal to 5% of the issued share capital of the Company. The resolution also contained provisions enabling the directors to take action to overcome certain practical difficulties which could arise in the case of a rights issue. The authority in resolution 7 will expire on the conclusion of the next Annual General Meeting or on 20th August 2000, whichever is the earlier.
- **Purchase by the Company of its own shares (Resolution 8)**
The directors consider that it would be advantageous for the Company to renew for a further year the existing authority granted at last year's Annual General Meeting, to allow the use of the Company's available cash resources to acquire its own shares in the market for cancellation. This authority is granted pursuant to Section 162 of the Act.

Accordingly, a special resolution is proposed to authorise the purchase in the market of up to 10% of the issued ordinary shares of the Company at a price of not more than 105% of the average of the middle market quotations for the ordinary shares of the Company (as derived from the London Stock Exchange Daily Official List) for the ten business days prior to the date of purchase.

The directors do not intend to exercise the Company's power to purchase its own shares other than in circumstances where they consider this to be in the shareholders' interests and where this would result in an increase in earnings per share.

Charitable and political donations

No charitable or political donations were made during the year.

Taxation status

The Company is not a close company within the meaning of the Income and Corporation Taxes Act 1988.

Disabled employees

It is the Group's policy that disabled persons should be considered for employment, training, career development and promotion on the basis of their abilities and aptitudes in common with all employees.

The Group's employment policies, which are fair and equitable for all employees and which ensure entry into and progression within the Group, are determined solely by application of job criteria, personal ability and competency. Full and fair consideration (having regard to the person's particular aptitudes and abilities) is given to applications for employment and the career development of disabled persons.

Employee involvement

The Group attaches considerable importance to ensuring that all its employees are provided with information concerning them as employees, particularly the economic and financial factors affecting the Group's performance.

Internal circulars and newsletters are issued regularly and consultation between management and staff is an ongoing process.

Creditor payment policy

It is the Group's policy to have appropriate terms and conditions for transactions with suppliers, ranging from standard terms and conditions to those which have been specifically negotiated, and that in the absence of dispute, payment will be made in accordance with those terms and conditions and conforming to the CBI Code of Best Practice.

The directors' reports of the Group's United Kingdom operating companies give information about their creditor payment policies as required by the Companies Act. The Company, as a holding company, does not itself make any relevant payments in this respect.

Auditors

Following the merger of the Company's firm of auditors, Coopers & Lybrand, with Price Waterhouse on 1st July 1998 and its consequent resignation, the Board appointed its successor firm, PricewaterhouseCoopers to fill the vacancy thereby created. Accordingly, an ordinary resolution will be put to the forthcoming Annual General Meeting for the reappointment of PricewaterhouseCoopers as the Company's auditors and authorising the directors to determine their remuneration.

Approved by the Board on 22nd March 1999 and signed on its behalf by



Emma Thomas
Secretary

Remuneration Report

The Board is pleased to present its remuneration report for the year ended 31st December 1998.

Remuneration policy

During the year, the Board delegated its powers to determine the Company's remuneration policy for senior executives to the Remuneration Committee ("the Committee"), the members of which are David Heywood, Charles Goodson-Wickes, Francis Howard and Robert Nicholls. Further details relating to the Committee may be found on page 26 of this report.

In determining its policy, the Committee has paid regard to the principles and provisions of good governance contained in the Combined Code published by the Committee on Corporate Governance. Its aim is to provide a package of remuneration which is sufficient to attract, retain and motivate all of the Company's senior management, including executive directors, and to reward good performance. To that end, the Committee has decided to structure executive remuneration in three component parts:

- **Basic salary and benefits**
Basic salary is determined by reference to the performance of the individual over the past year, taking into account his level of experience and the rates of basic pay for similar roles in comparable companies. In addition to the basic salary and items described below, the Company provides a range of benefits to executive directors, the most significant of which is a fully expensed car.
- **Cash bonus**
The Committee sets stringent bonus targets for each executive, aiming to achieve a balance between short- and long-term objectives. Targets include individual performance criteria specific to the executive's role and overall Company performance including profit before tax and earnings per share. In relation to executive directors, a maximum bonus of 50% of their basic salary is payable, provided each target is achieved in full.
- **Share options**
The Board believes that share ownership by senior executives encourages above average performance, since the interests of management and shareholders are thereby aligned. Accordingly, it is the Committee's policy to grant share options to executive directors, provided adequate performance has been demonstrated. Options are not exercisable unless the Company has met certain challenging performance criteria.

Employee share option schemes

The Company operates a number of employee share option schemes, all of which (except the savings related option scheme) have performance conditions attached to them.

The Committee has agreed that the exercise of options held under the Company Share Option Plan 1996 and the Employee Share Option Scheme 1996 is conditional on growth in the Company's earnings per share of at least 15 percent above the growth in the UK retail prices index over three consecutive financial years ending after the financial year of the date of grant.

The Company also operates a savings related share option scheme, which provides a long-term savings opportunity for all of the Group's employees, as well as encouraging them to participate in the success of the Company. Participation is open to all employees who are able to make regular monthly savings and are exercisable in normal circumstances after three or five years at a price which is fixed at a discount of up to 20% from the mid-market price of the Company's shares on the business day immediately preceding the date on which invitations are made by the Committee.

Company policy on contracts of service

Executive directors have contracts of employment terminable on one year's notice, except in circumstances of a change of control of the Company, where two years' notice is required. Non-executive directors do not hold contracts of employment but are offered letters of appointment for fixed periods of three years, renewable annually thereafter by agreement. The Chairman's letter of appointment provides for twelve months' notice of termination.

Company policy on the pensions of executive directors

Executive directors are able to join the Company's Retirement Benefits Scheme ("the Scheme") which is a funded, Inland Revenue approved, final salary occupational pension scheme. As with all participating employees, directors are entitled to a pension based on final salary (excluding bonuses) and length of pensionable service, subject to Inland Revenue limits. None of the directors are currently subject to the Inland Revenue earnings cap but the Company's policy would be to provide additional death-in-service and pension benefits in a separate unapproved scheme. Prior to the establishment of this policy, the Company agreed to contribute to a personal pension plan for J A S Jewitt, which it continues to do.

Directors' emoluments

	Basic salary and fees 1998 £000	Taxable benefits 1998 £000	Performance related bonuses 1998 £000	Total emoluments excluding pensions 1998 £000	1997 £000
D G Heywood	90	—	—	90	88
J A S Jewitt	180	7	57	244	193
D O Lyon	88	11	30	129	—
C Goodson-Wickes	22	—	—	22	20
F J A Howard	25	—	—	25	22
R M Nicholls	22	—	—	22	7
C R Chapman	—	—	—	—	199
J J Cockburn	—	—	—	—	110
Total 1998	427	18	87	532	—
Total 1997	482	29	128	—	639

D O Lyon was appointed a director on 1st January 1998.

J J Cockburn resigned as a director on 28th December 1997. C R Chapman resigned on 31st December 1997.

The figures above represent emoluments earned as directors during the relevant financial year. All are paid in the year that they are earned, with the exception of bonuses which are paid in the year following that in which they were earned.

Directors' pensions

Defined benefit scheme

	Accrued pension per annum at 31st December 1998 £000	Increase in accrued pension per annum during 1998 excluding price inflation £000	Transfer value of the increase less director's contributions £000
D O Lyon	12	6	23

The transfer value has been calculated on the basis of actuarial advice in accordance with the Actuarial Guidance Note GN11.

The above figures exclude any benefits derived from directors' additional voluntary contributions.

Defined contribution scheme

Employer contributions of £23,328 were paid during the year to a personal pension plan for J A S Jewitt.

Remuneration Report continued

Directors' interests

The beneficial and family interests of directors in the share capital of the Company according to the register of directors' interests maintained by the Company under Section 325 of the Companies Act 1985 were:

	Ordinary shares		Company Plan 1996		Share Options Employee Scheme 1996		SAYE Scheme	
	31.12.98	31.12.97	31.12.98	31.12.97	31.12.98	31.12.97	31.12.98	31.12.97
D G Heywood	350,789	350,789	—	—	—	—	—	—
F J A Howard	5,446	5,446	—	—	—	—	—	—
J A S Jewitt	103,846	153,846	—	—	221,400	221,400	28,750	28,750
D O Lyon	7,000	7,000	26,000	26,000	54,800	16,800	28,750	28,750

Notes:

- Between 31st December 1998 and the date of this report there were no changes in the interests of the directors in the share capital of the Company.
- None of the directors has any non-beneficial interest in the Company's share capital.
- No director was materially interested in any contract of significance (apart from contracts of service) with any Group company during or at the end of the financial year.
- Figures disclosed in respect of D O Lyon at 31st December 1997 represent holdings on appointment (1st January 1998).

Details of share options held by the directors during the year were:

	Scheme (see below)	Number of Options		Exercise price	Date from which exercisable		Expiry date
		at 1st January 1998	Granted		at 31st December 1998		
J A S Jewitt	1	221,400	—	115p	Nov '99	Nov '03	
	3	28,750	—	60p	Dec '00	Jun '01	
D O Lyon	1	16,800	—	115p	Nov '99	Nov '03	
		—	38,000	254.5p	Apr '01	Apr '05	
	2	26,000	—	115p	Nov '99	Nov '06	
	3	28,750	—	60p	Dec '00	Jun '01	

Schemes:

- Employee Share Option Scheme 1996 Options
- Company Share Option Plan 1996 Options
- SAYE Scheme Options

Notes:

- During the year there were no exercises made by directors and no share options of directors lapsed.
- There is no cost to the employee for the receipt of the Employee Share Option Scheme 1996 or Company Share Option Plan 1996 options. Deductions from earnings are made in respect of SAYE options.
- Employee Share Option Scheme 1996 and Company Share Option Plan 1996 option prices are fixed at the mid-market price on the business day preceding the date of grant.
- SAYE Scheme options are fixed at a discount of up to 20% below the mid-market price on the business day before the date of invitation applying to each option.
- The mid-market price at 31st December 1998 was 411.5 pence and the range during the year was 191.5 pence to 438.5 pence.

On behalf of the Board

David Heywood,
Chairman,
22nd March 1999

Corporate Governance

The Company complied during the year with the Code provisions set out in Section 1 of the Combined Code published by the Committee on Corporate Governance in June 1998 ("the Code") except in relation to the status of the Chairman, details of which appear below, and where indicated in this statement.

The manner in which the Group applies the principles of good governance contained in the Code are described in the appropriate parts of this annual report. Thus the application by the Company of the Code's principles to remuneration matters at pages 22 to 24 should be read in conjunction with the statement below.

During the year, the Company has maintained a Board of directors which leads and controls the Company by holding regular monthly meetings at which its current performance is examined and directions are given to operating executives. Regular reports on monthly performance and other ad hoc matters of importance to the Company ensure that the Board is supplied in a timely manner with the information necessary to make an informed judgement. In addition, the Board holds regular meetings to discuss and devise the Company's medium- and long-term strategic focus and holds other meetings as and when necessary to discuss extraordinary issues, such as potential acquisitions.

In accordance with the provisions of the Company's Articles of Association and the Code, each director is subject to re-election by the Company's shareholders at the Annual General Meeting immediately following appointment and at least every three years thereafter.

The Board is led by David Heywood, who during the year was the part-time executive Chairman. Since the year-end, the Board has reconsidered the executive status of the Chairman. Having carefully reviewed its provisions, the Board considers him to be both non-executive and independent for the purposes of the Code, since, although he committed and continues to commit a considerable amount of his time to the affairs of the Company, his focus is on the overall performance of the Group and matters of corporate strategy, including shareholder relations. Consequently, since the year-end, his status has been confirmed by the Board as non-executive, although his role remains unchanged.

The day-to-day running of the Company's business is delegated to an executive team led by Justin Jewitt, the Chief Executive and which includes David Lyon, Finance Director. Three further non-executive directors with finance and healthcare backgrounds provide the Board with a breadth of experience and balance. A revised schedule of matters reserved to the Board for its consideration, adopted since the year-end, formalises the previously informal procedure for all directors to obtain access to professional advisors at the Company's expense, where this is necessary for the furtherance of their duties.

The Board operates a number of committees, consisting wholly or mainly of non-executive directors to which it has delegated certain specific responsibilities and each of which have formally adopted terms of reference. These comprise Nomination, Audit and Remuneration Committees. The former, which makes recommendations to the Board on the appointment of directors, is chaired by David Heywood, who is also Chairman of the Remuneration Committee. Its composition is not fixed but comprises those directors who, in the Board's opinion, are best qualified to judge the suitability of candidates for the position which is to be filled. In arriving at its recommendations, the Committee makes use of professional advisors as it considers necessary.

The Audit Committee is chaired by Francis Howard, who was also appointed the Board's senior non-executive director in April 1998, anticipating the requirements of the Code's provisions. It comprises only non-executive directors and meets regularly to review the preliminary and interim results before they are presented to the Board, to receive reports from the Company's external auditors and to make recommendations to the Board on accounting policies. Its primary duties include the monitoring, on behalf of the Board, of compliance with and the effectiveness of the Company's accounting and internal control systems. Since the year-end, in order to assist the Audit Committee in fulfilling its duties, the Company has established an internal audit function, which reports regularly to the Committee on its findings. Also since the year-end, the Committee has adopted new terms of reference which confirm its duty to review the cost-effectiveness, independence and objectivity of the Company's external auditors, a practice which it observed during the year.

Corporate Governance continued

Only non-executive directors serve on the Remuneration Committee, which during the year determined the Company's overall remuneration strategy and the remuneration packages of the executive directors and other senior executives, after having consulted with the Chief Executive. In determining remuneration policy, the Committee is free to obtain such professional advice as it sees fit, and periodically monitors both the policies of comparator companies and current market practice, in order to ensure that the packages provided are sufficient to attract and retain executive directors of the necessary quality.

The remuneration of non-executive directors, including the Chairman, is a matter for the Company's Board and since the year-end, the Committee has adopted new terms of reference which make it clear that the framework for the remuneration of the Company's senior executives must be agreed by the Board as a whole.

Short biographies of each of the directors, including their membership of the Board Committees outlined above, may be found on page 18.

The Board, on the Company's behalf, recognises the need to maintain an active dialogue with its shareholders. The executive directors and the Company's Chairman meet regularly with institutional investors and analysts to discuss the Company's performance and all shareholders have access to the senior non-executive director, who is available to discuss any concerns which investors may have in relation to the running of the Company. Although it has not previously been the Company's practice, the Board intends to indicate the level of proxy votes lodged in favour and against each of the resolutions to be tabled at the forthcoming Annual General Meeting. The Board encourages shareholders to attend the AGM and is always willing to answer questions, either in the meeting itself or, more informally, afterwards. In this way, the Company will ensure compliance with Provisions C.2.1 and C.2.4 of the Combined Code.

Going concern

The directors confirm that, after reviewing the financial position and cash flows of the Group, they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Internal financial control

The Combined Code requires the Board to maintain a sound system of internal control to safeguard shareholders' investment and the Company's assets. To that end, it requires that directors should, at least once a year, conduct a review of the effectiveness of the Group's system of internal controls and to report to shareholders that they have done so. The Institute of Chartered Accountants in England and Wales (ICAEW) has recently convened a working party to produce guidelines for directors on the scope, extent, nature and review of internal controls to which the Combined Code refers. Until such time as the guidance is published, the London Stock Exchange has announced that it considers that a company's statement of compliance will satisfy the requirements of the relevant section of the Code by reporting on its internal financial controls pursuant to the guidance for directors on internal controls and financial reporting issued by the Rutteman Working Group in 1994. The directors consider that until the ICAEW guidance has been published it will not be possible to undertake a review of the effectiveness of internal controls generally that could realistically be said to comply with the Combined Code. Accordingly, the statement on the effectiveness of internal financial controls below is made pursuant to the 1994 guidance.

The directors are responsible for the Group's system of internal financial control. Such a system can provide reasonable but not absolute assurance against material misstatement or loss.

The key procedures which are designed to provide effective internal financial control are as follows:

- operating divisions maintain internal financial controls appropriate to their respective business. These conform to Group policies as set out in the Group Accounting Policies and Procedures Manual. This sets out the accounting policies of the Group and the framework of internal financial control. Within the Manual, the duties of the Audit Committee, Group finance, including the internal audit function, and divisional management are clearly set out with respect to internal financial control;

Internal financial control – continued

- divisional management are required annually to review the effectiveness of their systems of internal financial control and to complete an internal financial control questionnaire. At the end of the year they are required to confirm that they have reviewed for the whole year their system of internal financial control. Group finance staff review the completed questionnaires and make visits to operating sites where the internal financial controls are further reviewed. The results of the process are reported to the Audit Committee;
- major business risks are identified to the Board in respect of each business area and monitored through monthly reports from divisional and Group management which set out all major business issues. The Group operates a comprehensive budgeting and forecasting system where monthly performance is reviewed and major variances investigated; and
- as part of their normal annual audit procedures, PricewaterhouseCoopers review internal financial controls to the extent necessary to enable them to form an opinion on whether the accounts give a true and fair view. Within this scope of work they review the completed internal financial control questionnaires for accuracy and completeness. The results of this process are reported annually to the Audit Committee.

The directors confirm that, for the year ended 31st December 1998, they have reviewed the effectiveness of the Group's systems of internal financial control.

Directors' Responsibilities

in respect of the preparation of financial statements

The directors are required by company law to prepare financial statements which give a true and fair view of the state of the Company and the Group at the end of the financial year and of the profit and cash flows of the Group for the period to that date. The financial statements must be prepared in compliance with the required formats and disclosures of the Companies Act 1985 and in accordance with applicable accounting standards. In addition, the directors are required

- to adopt suitable accounting policies and apply them consistently;
- to make judgements and estimates that are reasonable and prudent;
- to take account of expenses and income relating to the period being reported on, whether or not they have been paid or received in that period; and
- to prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that the financial statements comply with the above requirements.

The directors are also responsible for maintaining adequate accounting records so as to ensure that the financial statements comply with the requirements of the Companies Act, for safeguarding the assets of the Group, and for preventing and detecting fraud and other irregularities.

Auditors' Report

Report to the shareholders of Nestor Healthcare Group plc

We have audited the financial statements on pages 30 to 51 which have been prepared under the historical cost convention and the accounting policies set out on pages 35 and 36.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 28, the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

We review whether the statement on pages 25 to 27 reflects the Company's compliance with those provisions of the Combined Code specified for our review by the London Stock Exchange, and we report if it does not. We are not required to form an opinion on the effectiveness of the Group's corporate governance procedures or its internal controls.

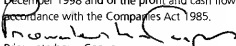
Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31st December 1998 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London

22nd March 1999

Consolidated Profit and Loss Account

for the year ended 31st December 1998

	Notes	1998 £000	1997* £000
Turnover (including share of associated undertaking)			
Continuing operations		252,607	173,371
Acquisitions		1,257	—
	2, 3	253,864	173,371
Less: Share of turnover of associated undertaking		(32,519)	(29,029)
Turnover	2, 3	221,345	144,342
Cost of sales		(182,883)	(114,266)
Gross profit		38,462	30,076
Administrative expenses (including goodwill amortisation of £57,000)		(29,257)	(23,342)
Continuing operations	3	9,321	6,734
Acquisitions		(116)	—
Group operating profit	4	9,205	6,734
Share of operating profit of associated undertaking		3,937	2,821
Profit on ordinary activities before interest		13,142	9,555
Net interest (payable) receivable – Group	7	(364)	498
– Share of associate		(174)	(342)
Profit on ordinary activities before taxation		12,604	9,711
Tax on profit on ordinary activities	8	(3,600)	(2,573)
Profit on ordinary activities after taxation		9,004	7,138
Equity minority interests		73	—
Profit attributable to shareholders		9,077	7,138
Dividends	10	(3,598)	(2,981)
Retained profit for the year	22	5,479	4,157
Earnings per share – FRS 3 basis			
Basic	11	11.75p	9.33p
Diluted	11	11.56p	9.27p
Earnings per share – adjusted basis (before goodwill amortisation)			
Basic	11	11.82p	9.33p
Diluted	11	11.63p	9.27p
Dividends per share	10	4.65p	3.87p

The historical cost profit on ordinary activities before taxation and the historical cost profit retained for the year after taxation and dividends are the same as those reported above.

* As restated – see note 1

Statement of Total Recognised Gains and Losses

for the year ended 31st December 1998

	Notes	1998 £000	1997 £000
Profit attributable to shareholders		9,077	7,138
Differences on foreign currency net investments (associate)	22	(10)	(84)
Total recognised gains and losses relating to the year		9,067	7,054

Reconciliation of Movements in Shareholders' Funds

for the year ended 31st December 1998

	Notes	1998 £000	1997 £000
Profit attributable to shareholders		9,077	7,138
Dividends	10	(3,598)	(2,981)
Other recognised gains and losses for the year		(10)	(84)
Shares issued during the year		318	731
Goodwill in the year written off to reserves		—	(2,565)
		5,787	2,239
Opening shareholders' funds		9,140	6,901
Closing shareholders' funds		14,927	9,140

Consolidated Balance Sheet

as at 31st December 1998

	Notes	1998 £000	1997* £000
Fixed assets			
Goodwill	12	3,711	—
Tangible fixed assets	13	5,533	3,685
Investments	15	842	1,146
Interests in associated undertaking	15	1,679	(276)
Total fixed assets		11,765	4,555
Current assets			
Debtors	16	36,006	22,887
Cash at bank and in hand		591	290
		36,597	23,177
Creditors – amounts falling due within one year	17	(33,062)	(16,808)
Net current assets		3,535	6,369
Total assets less current liabilities		15,300	10,924
Creditors – amounts falling due after more than one year	18	(262)	(1,642)
Provisions for liabilities and charges			
Deferred taxation	20	(215)	(142)
Net assets		14,823	9,140
Capital and reserves			
Called up share capital	21	7,745	7,718
Share premium account	22	2,839	2,548
Foreign exchange reserve	22	791	801
Profit and loss account	22	3,552	(1,927)
Equity shareholders' funds		14,927	9,140
Equity minority interests		(104)	—
		14,823	9,140

* As restated – see note 1

The financial statements on pages 30 to 51 were approved by the Board on 22nd March 1999 and were signed on its behalf by


 D G Heywood


 D O Lyon

Company Balance Sheet

as at 31st December 1998

	Notes	1998 £000	1997 £000
Fixed assets			
Tangible fixed assets	13	150	45
Investments	15	41,147	38,812
Total fixed assets		41,297	38,857
Current assets			
Debtors	16	9,803	8,197
Cash at bank and in hand		10,760	8,011
		20,563	16,208
Creditors – amounts falling due within one year	17	(10,467)	(5,387)
Net current assets		10,096	10,821
Total assets less current liabilities		51,393	49,678
Creditors – amounts falling due after more than one year	18	–	(1,500)
Net assets		51,393	48,178
Capital and reserves			
Called up share capital	21	7,745	7,718
Share premium account	22	2,839	2,548
Other reserves	22	23,596	23,596
Foreign exchange reserve	22	2,154	2,154
Profit and loss account	22	15,059	12,162
Equity shareholders' funds		51,393	48,178

The financial statements on pages 30 to 51 were approved by the Board on 22nd March 1999 and were signed on its behalf by


D O Heywood


D O Lydd

Consolidated Cash Flow Statement

for the year ended 31st December 1998

	1998 £000	1998 £000	1997 £000	1997 £000
Net cash inflow from operating activities		4,925		2,534
Dividends received from associated undertaking		1,798		188
Returns on investments and servicing of finance				
Interest paid	(249)		(30)	
Interest received	95		154	
Net cash (outflow) inflow from returns on investments and servicing of finance		(154)		124
Taxation				
Corporation tax paid	(3,527)		(2,087)	
Tax paid		(3,527)		(2,087)
Net cash inflow before investing activities and equity dividends paid		3,042		759
Capital expenditure and financial investment				
Purchase of tangible fixed assets	(3,035)		(1,980)	
Sale of tangible fixed assets	81		75	
Net cash outflow from capital expenditure and financial investment		(2,954)		(1,905)
Acquisitions and disposals				
Purchase of businesses (see note 15)	(3,523)		(491)	
Net overdraft acquired with businesses	32		(118)	
Sale of discontinued operations including adjustments	—		(27)	
Receipts from loan note redemptions	304		1,703	
Net cash (outflow) inflow from acquisitions and disposals		(3,187)		1,067
Equity dividends paid				
Dividends paid	(3,205)		(2,749)	
Total equity dividends paid		(3,205)		(2,749)
Financing				
Issue of ordinary share capital	318		731	
Repayment of loan note	(1,000)		—	
Net cash (outflow) inflow from financing		(682)		731
Decrease in cash		(6,986)		(2,097)

The notes to the Consolidated Cash Flow Statement are shown in Note 23 to the financial statements.

Notes to the Financial Statements

for the year ended 31st December 1998

Note 1 Accounting policies

Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards under the historical cost convention as modified by the revaluation of land and buildings. Accounts are made up to the nearest practicable Friday to 31st December each year.

Changes in accounting policy

Goodwill

In order to comply with the requirements of FRS 10, the Group has adopted the policy of recording purchased goodwill on the balance sheet, and of amortising it over its useful economic lives. Prior to 1st January 1998, the Group wrote off all purchased goodwill to reserves on acquisition. Neither comparative figures, nor previously written-off goodwill have been reinstated.

Changes in presentation of financial information

FRS 9, "Associates and joint ventures", has been adopted and, consequently, the Group's profit and loss account, balance sheet and cash flow statement have been presented in accordance with the new requirements.

FRS 10, "Goodwill and Intangible Assets", has been adopted and, consequently, the balance on the acquisitions reserve shown in the financial statements for 31st December 1997 has been eliminated against the profit and loss account reserve under the transitional arrangements in FRS 10.

FRS 14, "Earnings per share", has been adopted and, consequently, basic and diluted earnings per share have been calculated in accordance with the new methodology. Comparative basic and diluted earnings per share for 1997 have been re-calculated on the same basis.

Basis of consolidation

The Group financial statements comprise a consolidation of the financial statements of the Company and all its subsidiary undertakings. Where a subsidiary has been disposed of during the year the results of that subsidiary undertaking are included to the date of disposal. Merger accounting rules are followed in respect of mergers which satisfy the conditions set out in FRS 6. Associated undertakings are accounted for using the equity method.

Depreciation

Depreciation of fixed assets is provided where it is necessary to reflect a reduction from book value to estimated residual value over the useful life of the asset to the Group. It is the Group's policy to maintain its properties in a state of good repair, and in the case of freehold and long leasehold properties, the directors consider that the lives of these properties and their residual values are such that their depreciation is not significant. Accordingly, no depreciation is provided on freehold and long leasehold properties. Other fixed assets are written off by equal installments over their anticipated useful lives of between three and eight years.

Deferred taxation

Deferred taxation is provided on the liability method where, in the opinion of the directors, it is probable that the liability will crystallise in the foreseeable future.

Pension costs

Pension costs are charged to the profit and loss account in such a way as to provide for the liabilities evenly over the remaining working lives of the employees.

Leases

Where fixed assets are financed by leasing agreements which give rights approximately equivalent to ownership (finance lease) the assets are capitalised. The corresponding lease commitments are treated as obligations to the lessor. All other lease payments are charged to the profit and loss account in the year to which they relate, including the cost of leases of land and buildings not occupied by the Group.

Notes to the Financial Statements continued

for the year ended 31st December 1998

Foreign currencies

The trading results and cash flows of overseas subsidiary undertakings are translated into sterling using the average rates of exchange. The balance sheets of overseas subsidiary undertakings are translated into sterling at the rates of exchange ruling at the year-end. Exchange differences arising on translation into sterling are dealt with through reserves. Where the Company takes out foreign currency loans to hedge its investments in overseas subsidiary undertakings, both the loan and that part of the investment matched to the loan are translated into sterling at the year-end rate. The remaining element of the investment is translated at the ruling rate at the date of the investment except in those instances where forward exchange contracts have been arranged, in which case, the forward rate is used.

Note 2 Turnover

Turnover represents the amount invoiced net of value added tax in respect of the provision of services to customers during the year.

Note 3 Analysis of turnover, operating profit and net assets

	Turnover		Operating profit	
	1998 £000	1997 £000	1998 £000	1997 £000
Turnover and operating profit, including share of associate.				
by geographical location				
United Kingdom	221,345	144,342	9,205	6,734
United States of America	32,519	29,029	3,937	2,821
	253,864	173,371	13,142	9,555
Turnover and operating profit, including share of associate by business activity				
UK Healthcare				
Ongoing	220,088	144,342	11,080	8,589
Acquired businesses	1,257	—	(116)	—
Central costs	—	—	(1,759)	(1,855)
	221,345	144,342	9,205	6,734
USA Healthcare				
Share of associate	32,519	29,029	3,937	2,821
Total continuing operations	253,864	173,371	13,142	9,555

There is no material difference between the geographical analysis of turnover by origin and by destination.

The equity minority interest relates entirely to UK Healthcare

No indication can be given of the contribution to turnover and operating profit of certain acquisitions which were made during the year. This is because the businesses and assets were integrated into the Group's existing subsidiaries immediately after acquisition and it is not now possible to identify the separate results or turnover of each of the separate parts of the businesses. The results of these acquisitions have therefore not been included in the analysis above under acquired businesses.

**Note 3 Analysis of turnover,
operating profit and net assets – continued**

Turnover, cost of sales, gross profit, administrative expenses, operating profit and share of profit of associate are analysed as follows.

	Continuing ongoing 1998 £000	Continuing acquired 1998 £000	Total 1998 £000	Total* 1997 £000
Turnover	220,088	1,257	221,345	144,342
Cost of sales	(182,173)	(710)	(182,883)	(114,266)
Gross profit	37,915	547	38,462	30,076
Administrative expenses	(28,594)	(663)	(29,257)	(23,342)
Operating profit	9,321	(116)	9,205	6,734
Share of operating profit of associate	3,937	–	3,937	2,821
Total operating profit and share of associate	13,258	(116)	13,142	9,555

* Comparative figures are all continuing-ongoing

	Net operating assets	
	1998 £000	1997 £000
Analysis of net operating assets		
Analysis of net operating assets by geographical location		
United Kingdom	37,748	27,819
United States of America	37,096	34,256
	74,844	62,075
Analysis of net operating assets by business activity		
UK Healthcare	39,027	31,633
USA Healthcare	37,096	34,256
Central	(1,279)	(3,814)
Continuing operations	74,844	62,075
Net assets per consolidated balance sheet	14,823	9,140
Overdrafts	8,588	1,502
Goodwill written off	51,433	51,433
Total net operating assets, including goodwill	74,844	62,075

Notes to the Financial Statements continued

for the year ended 31st December 1998

Note 4 Operating profit

	1998 £000	1997 £000
Operating profit excluding associate is stated after charging (crediting)		
Depreciation	1,198	980
Amortisation of goodwill	57	—
Net profit on sale of tangible fixed assets	(37)	(8)
Hire of plant & machinery	17	—
Auditors' remuneration – audit	191	119
Rents received net of outgoings	(165)	(245)
Rent of premises	1,457	1,512

Remuneration of the Company's auditors in respect of other services amounted to £185,000 (1997 – £140,000).

Auditors' remuneration in respect of the Company's audit amounted to £25,000 (1997 – £23,000).

Note 5 Employees

	1998 £000	1997 £000
Employee costs		
Wages and salaries	17,536	13,837
Social security costs	1,326	1,048
Other pension costs	542	487
	19,404	15,372

	1998	1997
Employee numbers		
The average number of persons employed by the Group during the year was		
Full-time	896	589
Part-time	1,107	954
	2,003	1,543

Note 6 Directors' emoluments

	1998 £000	1997 £000
Aggregate emoluments	532	639
Aggregate gains made on the exercise of share options	—	369
Company contributions to money purchase schemes	23	13
Additional pension paid to past director	—	26
Compensation to past director for loss of office	—	140
	555	1,187

One director (1997 – one) has retirement benefits accruing under money purchase pension schemes. In addition, retirement benefits are accruing to one (1997 – two) director under the Company's defined benefit pension scheme.

Highest paid director

Aggregate emoluments, gains made on share options and benefits under long-term incentive schemes	244	397
Company contributions to money purchase pension schemes	23	13

The detailed numerical analysis of directors' remuneration is included in the tables in the Remuneration Report on pages 22 to 24 and form part of these financial statements.

Note 7 Net interest (payable) receivable – Group

	1998 £000	1997 £000
Interest payable on bank loans and overdrafts	(285)	(33)
Interest payable on other loans	(164)	(23)
Total interest and similar charges payable	(449)	(56)
Investment income – bank interest and other income receivable	85	554
	(364)	498

Note 8 Taxation

	1998 £000	1997 £000
UK Corporation Tax at 31% (1997 – 31.5%) on taxable profits for the year	2,695	2,456
Over-provision in previous years	(75)	(16)
Deferred tax	73	25
Overseas taxes	907	108
	3,600	2,573

The overseas taxation charge arising from the share of profit of associated undertaking has been reduced by approximately £850,000 by reason of the utilisation of brought forward taxation losses, those losses have now been extinguished.

Note 9 Profit for the year

The profit for the year dealt with in the accounts of the Company amounts to £6,495,000 (1997 – £4,744,000). The profit retained by subsidiary companies is £2,582,000 (1997 – £2,394,000). Under the provisions of Section 230, Companies Act 1985, the Company has not published its own profit and loss account.

Note 10 Dividends

	1998 £000	1997 £000
Dividends paid		
Ordinary shares: 1.68p per share (1997 – 1.40p)	1,298	1,074
Dividends proposed		
Ordinary shares: 2.97p per share (1997 – 2.47p)	2,300	1,907
	3,598	2,981

Notes to the Financial Statements continued

for the year ended 31st December 1998

Note 11 Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has only one category of dilutive potential ordinary shares: those share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year.

Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below.

	Earnings £m	1998 Weighted average number of shares thousand	Earnings per share pence	Earnings £m	1997 Weighted average number of shares thousand	Earnings per share pence
FRS 3 Basis						
Basic	9,077	77,270	11.75p	7,138	76,525	9.33p
Dilutive effect of options	–	1,248	(0.19p)	–	495	(0.06p)
Diluted	9,077	78,518	11.56p	7,138	77,020	9.27p
Adjusted to exclude goodwill amortisation						
Basic – FRS 3 Basis	9,077	77,270	11.75p	7,138	76,525	9.33p
Goodwill amortised	57	–	0.07p	–	–	–
Basic	9,134	77,270	11.82p	7,138	76,525	9.33p
Diluted – FRS 3 Basis	9,077	78,518	11.56p	7,138	77,020	9.27p
Goodwill amortised	57	–	0.07p	–	–	–
Diluted	9,134	78,518	11.63p	7,138	77,020	9.27p

Supplementary basic and diluted earnings per share have been calculated to exclude the effect of goodwill amortisation in respect of the subsidiaries acquired during 1998.

Note 12 Goodwill**Goodwill
£000****Group****Cost**

At 1st January 1998

Additions **3,768****At 31st December 1998** **3,768****Aggregate amortisation**

At 1st January 1998

Charge for the year **57****At 31st December 1998** **57****Net book value**At 31st December 1998 **3,711**At 31st December 1997 **—**

The goodwill arising on acquisitions during the year is being amortised on a straight-line basis over 20 years. Under the previous accounting policy, £3,768,000 would have been written off to the acquisition reserve, and the operating profit for the period would have been £57,000 higher.

Note 13 Tangible fixed assets

	Land & buildings Freehold £000	Leasehold £000	Plant & equipment, fixtures & fittings £000	Total £000
Group				
Cost				
At 1st January 1998	73	9	6,667	6,749
Additions	—	—	3,035	3,035
On acquisition of businesses and subsidiary undertakings	—	—	134	134
Disposals	—	—	(1,097)	(1,097)
At 31st December 1998	73	9	8,739	8,821
Depreciation				
At 1st January 1998	—	9	3,055	3,064
On acquisition of businesses and subsidiary undertakings	—	—	79	79
Eliminated on disposals	—	—	(1,053)	(1,053)
Charge for the year	—	—	1,198	1,198
At 31st December 1998	—	9	3,279	3,288
Net book value				
At 31st December 1998	73	—	5,460	5,533
At 31st December 1997	73	—	3,612	3,685

Notes to the Financial Statements continued

for the year ended 31st December 1998

Note 13 Tangible fixed assets – continued

	Plant & equipment, fixtures & fittings £000	Total £000
Company		
Cost		
At 1st January 1998	168	168
Additions	99	99
Inter company transfers	55	55
Disposals	(20)	(20)
At 31st December 1998	302	302
Depreciation		
At 1st January 1998	123	123
Inter company transfers	11	11
Eliminated on disposals	(20)	(20)
Charge for the year	38	38
At 31st December 1998	152	152
Net book value		
At 31st December 1998	150	150
At 31st December 1997	45	45

Note 14 Capital commitments

	1998 £000	1997 £000
Capital expenditure that has been contracted but not provided for	19	—

Note 15 Fixed asset investments

Group	Share of net assets (liabilities) of associate £000	Scott-Grant loan note £000	Total £000
At 1st January 1998	(276)	1,146	870
Share of retained profit of associate	1,965	—	1,965
Part repayment of loan note	—	(304)	(304)
Foreign exchange movements	(10)	—	(10)
At 31st December 1998	1,679	842	2,521

Company	Investment in subsidiaries £000	Scott-Grant loan note £000	Total £000
At 1st January 1998	37,666	1,146	38,812
Acquisition of businesses and subsidiary undertakings	2,639	—	2,639
Part repayment of loan note	—	(304)	(304)
At 31st December 1998	40,305	842	41,147

Except where stated, the following subsidiary companies are wholly-owned including 100% voting rights, operate in the United Kingdom and are registered in England & Wales. All companies have been included in the consolidated results of the Group.

Principal undertakings

Undertaking	Business
British Nursing Co-operations Limited ¹ (trading as BNA)	UK healthcare services and personnel
British Nursing Association Healthcare Services Limited ¹	
Grosvenor Nursing Agency Limited	
Carewatch Care Services Limited ²	
Country Cousins (Horsham) Limited	
Nestor Disability Analysis Limited	
Nestor Medical Duty Services Limited	UK doctors' duty services
Medic International Limited	UK locum doctors and other medical personnel and services
Cross Country Staffing ^{1,3} (United States of America)	USA healthcare personnel

¹ The interest of Nestor Healthcare Group plc is held through intermediate holding companies.

² Nestor Healthcare Group plc has a 51% interest.

³ Nestor Healthcare Group plc has a 34% interest.

Notes to the Financial Statements continued

for the year ended 31st December 1998

Note 15 Fixed asset investments – continued

Scott-Grant loan note

The remaining balance on the Scott-Grant loan note is repayable as follows

	£000
Repayable 17th May 1999	431
Repayable 17th May 2000	411
	842

The loan note bears interest at 7% per annum.

In view of the interest charged, the repayment terms and the security given, the loan was valued at face value at the date of sale.

Interests in associated undertaking

The Company has, through Nestor-BNA Holdings Corp. and its subsidiaries, a 34% interest in Cross Country Staffing, and accounts for its results as an associated undertaking.

As required by FRS 9, additional disclosures relating to the Group's interest in Cross Country Staffing are given below.

	1998 \$000	1998 £000 at \$1.66	1997 \$000	1997 £000 at \$1.64
Turnover	53,917	32,519	47,520	29,029
Operating profit	6,528	3,937	4,618	2,821
Interest	(288)	(174)	(560)	(342)
Profit before tax	6,240	3,763	4,058	2,479

The associated undertaking does not itself suffer a tax charge in the USA. The tax effect on the Group is given in note 8.

	1998 \$000	1998 £000 at \$1.66	1997 \$000	1997 £000 at \$1.64
Fixed assets	414	249	172	105
Current assets	10,834	6,511	8,832	5,382
Liabilities due within one year	(6,822)	(4,100)	(4,799)	(2,924)
Liabilities due after one year	(1,632)	(981)	(4,658)	(2,839)
Group's share of net assets (34%)	2,794	1,679	(453)	(276)

Note 15 Fixed asset investments – continued

The Group purchased seven companies and businesses during the year for a total consideration of £3,517,000 of which £1,625,000 was in respect of the acquisition on 4th December 1998 of the business of Country Cousins. No fair value adjustments were considered necessary to the book values of the assets and liabilities of the businesses acquired. All of these purchases have been accounted for as acquisitions.

	Country Cousins £000	Other £000	Total £000
Fixed assets	–	55	55
Current assets and liabilities			
Cash acquired	–	40	40
Debtors and prepayments	–	217	217
Creditors and accruals	–	(264)	(264)
Bank overdraft	–	(8)	(8)
Net current assets	–	(15)	(15)
Creditors – amounts falling due after more than one year	–	(80)	(80)
Minority	–	31	31
Net assets acquired	–	(9)	(9)
Purchase consideration	1,625	1,892	3,517
Costs of acquisition	82	160	242
Total cost	1,707	2,052	3,759
Goodwill arising (note 12)	1,707	2,061	3,768
Cash flows in respect of purchase of businesses			
Total cost	1,707	2,052	3,759
Accrued consideration	–	(190)	(190)
Accrued expenses	(37)	(9)	(46)
Net cash acquired	1,670	1,853	3,523
	–	(32)	(32)
	1,670	1,821	3,491

Country Cousins, in its last financial year to 30th April 1998, achieved an operating profit of £241,000. For the period since that date to the date of acquisition, Country Cousins' operating profit was £154,000. No figures are available for profit after taxation because it was purchased as a partnership, and therefore had not been taxed as a separate entity.

Notes to the Financial Statements continued

for the year ended 31st December 1998

Note 16 Debtors

	Group		Company	
	1998 £000	1997 £000	1998 £000	1997 £000
Trade debtors	29,751	21,015	—	—
Amounts owed by Group companies	—	—	1,732	1,841
Dividends receivable from Group companies	—	—	7,048	5,536
Other debtors	246	84	144	59
Prepayments and accrued income	6,009	1,788	39	41
Corporation tax	—	—	840	720
	36,006	22,887	9,803	8,197

Note 17 Creditors – amounts falling due within one year

	1998 £000	1997 £000	1998 £000	1997 £000
Bank overdraft and loans	9,099	1,792	3,158	—
Loan other than from banks	1,500	1,000	1,500	1,000
Trade creditors	7,374	4,509	—	—
Amounts owed to Group companies	—	—	1,317	1,071
Dividends proposed	2,300	1,907	2,300	1,907
Corporation Tax	2,355	2,355	349	512
Other tax and social security	1,968	1,822	15	82
Other creditors	4,343	1,848	1,061	56
Accruals and deferred income	4,123	1,575	767	759
	33,062	16,808	10,467	5,387

The loan other than from banks is in respect of loan notes repayable on 31st March 1999, which bear interest at 1% below the NatWest base rate and are guaranteed by Generale Bank.

Note 18 Creditors – amounts falling due after more than one year

	1998 £000	1997 £000	1998 £000	1997 £000
Bank loan	80	—	—	—
Loan other than from banks	—	1,500	—	1,500
Other creditors	182	142	—	—
	262	1,642	—	1,500

The bank loan is in respect of a loan with Barclays Bank plc, which bears interest at 3.5% above base rate.

Note 19 Net borrowings (cash)

	Interest rates	Group 1998 £000	1997 £000	Company 1998 £000	1997 £000
Unsecured					
Bank overdraft and loans	variable	9,179	1,792	3,158	—
Loan other than from banks	variable	1,500	2,500	1,500	2,500
Total borrowings		10,679	4,292	4,658	2,500
Cash at bank and in hand		(591)	(290)	(10,760)	(8,011)
Net borrowings (cash)		10,088	4,002	(6,102)	(5,511)

Net borrowings (cash) of the Group are summarised as follows:

	Repayable within 1 year £000	Repayable between 2 & 5 years £000	Total £000
Unsecured			
Bank overdraft and loans	9,099	80	9,179
Loan other than from banks	1,500	—	1,500
Total borrowings	10,599	80	10,679
Cash at bank and in hand	(591)	—	(591)
At 31st December 1998	10,008	80	10,088
At 31st December 1997		2,502	4,002

Note 20 Provision for liabilities and charges

	1998 £000	1997 £000
Deferred taxation provision		
At 1st January 1998	142	117
Provided during the year	73	25
At 31st December 1998	215	142
Full potential liability	215	142

The deferred taxation provision arises from accelerated capital allowances

Note 21 Share capital

	Number	Authorised £000	Allotted, issued and fully paid Number	£000
Ordinary shares of 10p each				
At 1st January 1998	96,000,000	9,600	77,185,447	7,718
Issued during the year following exercise of options			272,505	27
At 31st December 1998	96,000,000	9,600	77,457,952	7,745

Notes to the Financial Statements continued

for the year ended 31st December 1998

Note 22 Share premium account and reserves

	Share premium account £000	Acquisition reserve £000	Foreign exchange reserve £000	Profit & loss account £000	Total £000
Group					
At 1st January 1998					
As previously reported	2,548	(8,647)	801	6,720	1,422
Elimination of goodwill reserve	—	8,647	—	(8,647)	—
As restated	2,548	—	801	(1,927)	1,422
Foreign exchange movements	—	—	(10)	—	(10)
Issue of shares following exercise of options	291	—	—	—	291
Retained for the year	—	—	—	5,479	5,479
At 31st December 1998	2,839	—	791	3,552	7,182

As at 1st January and 31st December 1998 goodwill written off to date against reserves in respect of subsidiaries still held by the Group was £51,433,000.

Elimination of acquisition reserve

The profit and loss reserve at 1st January has been restated to eliminate the balance on the acquisition reserve at 31st December 1997 in accordance with the provisions of FRS 10, "Goodwill and intangible assets". This amount comprises goodwill previously eliminated to reserves since 1st January 1990 as the directors have chosen not to apply the provisions of FRS 10 retrospectively.

	Share premium account £000	Other reserves £000	Foreign exchange reserve £000	Profit & loss account £000	Total £000
Company					
At 1st January 1998	2,548	23,596	2,154	12,162	40,460
Profit for the year	—	—	—	6,495	6,495
Issue of shares following exercise of options	291	—	—	—	291
Dividends	—	—	—	(3,598)	(3,598)
At 31st December 1998	2,839	23,596	2,154	15,059	43,648

Note 23 Cash flow statement

	1998 £000	1997 £000
Reconciliation of operating profit to net cash inflow from operations		
Operating profit	9,205	6,734
Amortisation of goodwill	57	-
Depreciation charges	1,198	980
Net profit on sale of tangible fixed assets	(37)	(8)
Increase in debtors	(12,913)	(7,234)
Increase in creditors	7,415	2,062
Net cash inflow from operations	4,925	2,534

	1998 £000	1997 £000
Reconciliation of net cash flow to movement in net debt		
Decrease in cash	(6,986)	(2,097)
Cash outflow from decrease in debt	1,000	-
	(5,986)	(2,097)
Loan note issue	-	(2,500)
Increase in loan on acquisition of business	(100)	-
	(6,086)	(4,597)
Net (debt) cash at 1st January 1998	(4,002)	595
Net debt at 31st December 1998	(10,088)	(4,002)

	Loans £000	Cash less overdrafts £000	Total £000
Analysis of movements in loans and cash balances			
At 1st January 1997	-	595	595
Increase in loans and net cash outflow	(2,500)	(2,097)	(4,597)
At 1st January 1998	(2,500)	(1,502)	(4,002)
Decrease in loans and net cash outflow	1,000	(6,986)	(5,986)
Increase in bank loan on acquisition of business	-	(100)	(100)
At 31st December 1998	(1,500)	(8,588)	(10,088)

The impact on cashflows of post acquisition trading of the subsidiary undertakings acquired during the year is not material.

Notes to the Financial Statements continued

for the year ended 31st December 1998

Note 24 Other financial commitments

The Group has financial commitments in numerous premises operated under leases whose terms, conditions and expiry dates vary considerably.

The aggregate annual rental costs of these premises amounted to £1,457,000 in 1998 (1997 – £1,512,000).

The net commitment in respect of operating leases in 1999 is as follows:

	Land & buildings occupied by Group £000	Land & buildings not occupied by Group £000	Total £000
For leases expiring			
within one year	120	–	120
between two and five years	433	12	445
beyond five years	187	425	612
	740	437	1,177

In respect of the hire of plant and machinery, operating lease commitments are not material.

Note 25 Pension costs

The Company operates a funded pension scheme providing benefits based on final pensionable salary. The scheme is administered by Trustees separately from the affairs of the Group and is contracted out of the additional component of the State Pension Scheme.

Watson Wyatt Partners, consulting actuaries, carried out an actuarial valuation of the scheme as at 5th April 1997. The valuation took into account the financial effect of the July 1997 Budget which removed the ability of pension schemes to reclaim tax credits on UK equity dividends. On the actuarial basis used, as at that date the assessed value of the assets was 88% of the capitalised value of the accrued benefits, allowing for expected future increases in pensionable earnings to Normal Pension Age, treating the scheme as an on-going entity.

The market value of the investments held in the scheme as at the valuation date was £6,215,000. In addition there were pensions in payment secured by the purchase of annuities.

The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of investment return on future net cash flow, the rate at which dividends on UK equities grow and the rate of increase in pensionable earnings. These rates were set relative to an assumed long-term rate of price inflation of 4% per annum.

The assumed future rate of investment return, used to discount projected income and outgoing benefits, was a real rate of 4.25% per annum relative to price inflation. For the purposes of the valuation, the investment assets were assumed to be invested 85% in UK equities – with dividends assumed, over the long-term future, to grow on average at a real rate of 0.5% per annum relative to price inflation – and 15% in British Government long-term fixed interest securities. Pensionable earnings were assumed to increase on average at a rate of 3% per annum ahead of price inflation.

The employer's contribution rate is calculated using the projected unit method and the shortfall of assets as at 5th April 1997 is amortised as a constant percentage of members' pensionable earnings over the average expected working lifetime of the active members.

The pension charge for the year was £542,000 (1997 – £487,000)

Note 26 Share option schemes

The following table sets out options in issue under the various Company schemes at the beginning and end of the year and movements during the year. Share options in issue expire after a certain time and exercise dates vary. Exercise rights are subject to the rules of the schemes and share options in issue are not normally exercisable until the expiry of a period of at least three years. In addition achievement of performance levels is normally required in all schemes except the SAYE scheme.

Employee Share Option Scheme

Date of issue	Option price (pence)	In issue 1st Jan 1998	Granted in the year	Exercised in the year	Lapsed in the year	In issue 31st Dec 1998
April 1989	144.52	112,337	—	(34,981)	—	77,356
October 1990	86.00	38,880	—	(16,550)	(10,750)	11,580
October 1991	67.00	5,000	—	—	—	5,000
		156,217	—	(51,531)	(10,750)	93,936

Company Share Option Plan 1996

November 1996	115.00	671,500	—	(84,800)	(19,600)	567,100
April 1998	236.50	—	194,943	—	(12,684)	182,259
October 1998	339.50	—	93,256	—	—	93,256
		671,500	288,199	(84,800)	(32,284)	842,615

Employee Share Option Scheme 1996

November 1996	115.00	716,000	—	(134,200)	(49,100)	532,700
April 1998	236.50	—	324,964	—	(2,559)	322,405
April 1998	254.50	—	38,000	—	—	38,000
October 1998	339.50	—	33,631	—	—	33,631
		716,000	396,595	(134,200)	(51,659)	926,736

Savings Related Share Option Scheme

October 1995	60.00	274,850	—	(1,974)	—	272,876
December 1997	131.00	323,060	—	—	—	323,060
December 1998	305.00	—	141,496	—	—	141,496
		597,910	141,496	(1,974)	—	737,432
Total		2,141,627	826,290	(272,505)	(94,693)	2,600,719

Five Year Summary

	1994 £000	1995 £000	1996 £000	1997 £000	1998 £000
Group profit and loss account					
Turnover (including share of associated undertaking)					
Continuing operations – ongoing	99,524	114,697	137,180	173,371	252,607
Continuing operations – acquisition	–	–	–	–	1,257
Discontinued operations	18,211	14,419	5,442	–	–
	117,735	129,116	142,622	173,371	253,864
Less: Share of turnover of associated undertaking	–	–	(12,606)	(29,029)	(32,519)
Turnover	117,735	129,116	130,016	144,342	221,345
Operating profit					
Continuing operations – ongoing	3,580	5,512	6,438	6,734	9,321
Continuing operations – acquisition	–	–	–	–	(116)
Discontinued operations	1,545	1,160	326	–	–
	5,125	6,672	6,764	6,734	9,205
Share of operating profit of associated undertaking	–	–	1,025	2,821	3,937
	5,125	6,672	7,789	9,555	13,142
Exceptional items	(4,209)	–	(9,623)	–	–
Operating profit (loss) after exceptional items	916	6,672	(1,834)	9,555	13,142
Net interest	(997)	(360)	(189)	156	(538)
Profit (loss) before taxation	(81)	6,312	(2,023)	9,711	12,604
Taxation	(1,459)	(1,974)	(2,071)	(2,573)	(3,600)
Profit (loss) after taxation	(1,540)	4,338	(4,094)	7,138	9,004
Equity minority interests	–	–	–	–	73
Profit attributable to shareholders	(1,540)	4,338	(4,094)	7,138	9,077
Earnings (loss) per share – FRS 3 basis	(2.06p)	5.79p	(5.42p)	9.33p	11.75p
Earnings per share – before exceptional items	3.57p	5.79p	7.12p	9.33p	11.75p
Dividends per share	3.15p	3.15p	3.47p	3.87p	4.65p

	1994 £000	1995 £000	1996 £000	1997 £000	1998 £000
Group balance sheet					
Goodwill	-	-	-	-	3,711
Tangible fixed assets	2,007	1,916	2,712	3,685	5,533
Investments	856	969	(34)	870	2,521
Total fixed assets	2,863	2,885	2,678	4,555	11,765
Current assets	15,094	16,280	14,621	22,887	36,006
Liabilities and provisions	(8,183)	(9,776)	(10,993)	(14,300)	(22,860)
Net operating assets	9,774	9,389	6,306	13,142	24,911
Net cash (borrowings)	(7,218)	(4,739)	595	(4,002)	(10,088)
Net assets	2,556	4,650	6,901	9,140	14,823
Share capital	7,484	7,507	7,612	7,718	7,745
Share premium account	1,205	1,306	1,923	2,548	2,839
Other reserves	(6,133)	(4,163)	(2,634)	(1,126)	4,343
Equity shareholders' funds	2,556	4,650	6,901	9,140	14,927
Equity minority interests	-	-	-	-	(104)
	2,556	4,650	6,901	9,140	14,823
Group cash flow statement					
Net cash inflow from operating activities	4,605	7,380	6,226	2,534	4,925
Dividends received from associated undertakings	-	-	-	188	1,798
Interest (paid) received	(1,237)	(516)	(136)	124	(154)
Tax paid	(1,264)	(1,409)	(1,818)	(2,087)	(3,527)
Capital expenditure	(1,096)	(723)	(1,473)	(1,905)	(2,954)
Acquisitions and disposals	12,119	-	4,389	1,067	(3,187)
Equity dividends paid	(2,357)	(2,357)	(2,467)	(2,749)	(3,205)
Issue of shares	-	124	722	731	318
Decrease in loans	(10,497)	(2,179)	(4,491)	-	(1,000)
Increase (decrease) in cash	273	320	952	(2,097)	(6,986)

Shareholder Information

Financial calendar

Announcement of 1999 results

For the half-year	August 1999
For the year	March 2000
Annual Report and Accounts circulated	April 2000
Annual General Meeting	May 2000

Dividends

Proposed final dividend 1998

Announcement	22nd March 1999
Ex-dividend	26th April 1999
Record date	30th April 1999
Payment date	28th May 1999

Interim dividend 1999 (provisional)

Announcement	August 1999
Payment	October 1999

Analysis of shareholdings

At the date of this report the Company has 1,058 shareholders who hold over 77.5 million ordinary shares between them, analysed as follows:

Size of holding	Number of shareholders	% of shareholders	Number shares	% of shares
1-5,000	721	68.1	762,969	1.0
5,001-50,000	209	19.8	3,248,428	4.2
50,001-100,000	30	2.8	2,179,293	2.8
100,001 and over	98	9.3	71,328,492	92.0
	1,058	100.0	77,519,182	100.0

Type of shareholder

Individuals	634	59.9	2,012,910	2.6
Nominee companies*	376	35.6	70,131,048	90.5
Other corporate and public bodies	38	3.6	4,092,781	5.3
Trust companies	10	0.9	1,282,443	1.6
	1,058	100.0	77,519,182	100.0

* This category includes the beneficiaries of pension funds, unit trusts, life assurance companies and investment trusts.

Share Registrar

The Company's registrar is Computershare Services PLC, of PO Box 82, Caxton House, Redcliffe Way, Bristol BS99 7NH.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN, that the thirteenth Annual General Meeting of the Company will be held at The Brewery, Chiswell Street, London EC1Y 4SD on Thursday, 20th May 1999 at 12.00 noon for the following purposes:

Ordinary business

1. To receive and consider the financial statements, together with the reports of the directors and auditors, for the year ended 31st December 1998.
2. To declare a final dividend.
3. To re-elect J A S Jewitt as a director.
4. To re-elect C Goodson-Wickes as a director.
5. To appoint PricewaterhouseCoopers as auditors of the Company to fill the casual vacancy arising by reason of the resignation of Messrs Coopers & Lybrand, to hold office until the conclusion of the next Annual General Meeting and to authorise the directors to determine their remuneration.

Special business

6. To consider and if thought fit, to pass the following resolution as an Ordinary Resolution:

That the directors be and are hereby authorised and empowered during the period expiring at the conclusion of the next Annual General Meeting of the Company, or on 20th August 2000 whichever is earlier, to allot relevant securities as defined in Section 80 of the Companies Act 1985 ("the Act") and to make an offer or agreement which would or might require relevant securities to be allotted after that date, so long as the nominal value of the relevant securities allotted under this authority shall not exceed the nominal value of the authorised but unissued share capital of the Company at the date hereof.

7. To consider and if thought fit, to pass the following resolution as a Special Resolution.

That the directors of the Company be and are hereby authorised and empowered during the period expiring at the conclusion of the next Annual General Meeting of the Company or on 20th August 2000, whichever is the earlier, to exercise all powers of the Company to allot equity securities (within the meaning of Section 94 of the Act) as if Section 89(1) of the Act did not apply in the case of:

(a) allotments in connection with a rights issue to shareholders where the directors shall have the right to make such exclusions or other arrangements as they may deem necessary or expedient to deal with fractional entitlements that would otherwise arise or with legal or practical problems under the laws of or requirements of any recognised regulatory body or any stock exchange in any territory, or otherwise howsoever,

(b) other allotments of equity securities for cash where this authority shall be limited in aggregate to the allotment of or involving equity share capital not exceeding (in nominal value) 5% of the nominal value of the issued share capital of the Company as at the date hereof.

Notice of Annual General Meeting continued

8. To consider and if thought fit, to pass the following resolution as a Special Resolution:

That, pursuant to Article 44 of the Company's Articles of Association, the Company be and is hereby granted renewal of its general and unconditional authority to make market purchases (within the meaning of Section 163(3) of the Act) of ordinary shares of 10p each in the capital of the Company provided that:

(a) the maximum number of ordinary shares hereby authorised to be purchased is 7,745,000, representing approximately 10% of the issued ordinary share capital at 22nd March 1999;

(b) the minimum price which may be paid for each ordinary share is 10 pence per ordinary share which amount shall be exclusive of expenses;

(c) the maximum price which may be paid for each ordinary share is, in respect of an ordinary share contracted to be purchased on any day, an amount (exclusive of expenses) equal to 105% of the average of the mid-market quotations for an ordinary share of the Company as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which the ordinary share is purchased;

(d) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company after the date of passing this resolution, unless such authority is renewed prior to such time; and

(e) the Company may conclude a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be exercised wholly or partly after the expiry of such authority and may make a purchase of ordinary shares in pursuance of any such contract as if the authority hereby conferred had not expired.

By order of the Board



Emma Thomas
Secretary

Registered office:
The Colonnades
Beaconsfield Close
Hatfield
Hertfordshire
AL10 8YD

22nd March 1999

1. A form of proxy is enclosed with this notice. A member of the Company entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company. To be valid, proxies must be lodged with the Registrar of the Company, Computershare Services PLC, PO Box B2, Carlton House, Redcliffe Way, Bristol BS99 7NH, no later than 12.00 noon on Tuesday 18th May 1999. Appointment of a proxy will not prevent a member from attending and voting at the Annual General Meeting should he/she decide to do so.
2. Copies of directors' service contracts are available for inspection at the Company's registered office during normal business hours on any weekday (public holidays excepted) and at The Brewery for 15 minutes prior to and during the Annual General Meeting.